

Trademarks in New Markets: Simple Infringement or Cause for Evaluation?

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Abstract. *Are search engines liable for trademark infringement for offering trademarks as 'keywords' to others than the trademark owner? Is the act of displaying or arranging the display of an advertisement for identical or similar goods to that of a registered trademark that has been selected and stored by an internet service provider infringing the trademark owner's exclusive right? Is the act of providing an information society service in e-commerce unlawfully encumbered by a flood of trademark complaints? The answer depends on perspective. This article discusses alternative ways of bridging grey areas between harmonizing legislation. It stops to ask whether, instead of how rights apply in new settings. It discusses the process of decision-making; i.e. how different approaches to interpretation affect different right positions. On the one hand, it considers trademarks as property that confers on the owner a right to exclude others, when harm is established. It asks what property protection entails for trademark owners, in theory and practice. On the other hand, it considers other interests explicit or implicit in legislation and weighs them against the legitimate interests of trademark owners, in new settings. It compares these approaches by using concrete examples from EU cases and concludes that there are alternative ways of bridging the gap between overlapping and conflicting directives.*

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1. Introduction

Are search engines liable for trademark infringement for offering trademarks as 'keywords' to others than the trademark owner? Are buyers of trademarks as keywords prohibited from advertising their own goods or services in Sponsored links? Does it make a difference, if the goods offered for sale and advertised in a keyword-triggered advertisement are legally obtained, sold and manufactured or counterfeit? These were the broad questions that the ECJ considered in its Grand Chamber ruling in the so called *Google Adwords* –case.¹ The court was however, forced to express its answer with specific trademark provisions; namely Articles 5 and 6 of the Trade Mark Directive (89/104/EC²) on the one hand, and the general provisions of the loosely harmonizing E-Commerce Directive (2000/31/EC³) on the other. In between lies a grey area, which neither directive expressly considers; that of contributory infringement or secondary liability for trademark infringement and that of liability for uses of trademarks on the internet and in particular, in internet advertising. However, a third directive, the

¹ Joined cases C-236/08, C-237/08 and C-238/08 *Google France, Google Inc. v. Louis Vuitton Malletier, Google France v. Viaticum Luteciel, Google France v. CNRRH Pierre-Alexis Thonet, Bruno Raboin, Tiger, a franchisee of Unicis*, Grand Chamber 23.3.2010, OJ C 134, 22.5.2010, p.2-3, ECR [2010] I-02417 (*Google Adwords*)

² First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks OJ L 40, 11.2.1989, p. 1–7 (Trade Mark Directive). Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version) OJ L 299, 8.11.2008, p. 25–33.

³ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market OJ L 178, 17.7.2000, p. 1–16 (E-Commerce Directive).

Enforcement Directive (2004/48/EC⁴) tilts the game in favour of trademark owners, by allowing for preliminary injunctions to issue against intermediaries, seemingly, regardless of fault.⁵

This article discusses alternative ways of bridging grey areas between harmonizing legislation. It stops to ask whether, instead of how rights apply in new settings. It discusses the process of decision-making; i.e. how different approaches to interpretation affect different right positions. On the one hand, it considers trademarks as property that confers on the owner a right to exclude others, when harm is established. It asks what property protection entails for trademark owners, in theory and practice. On the other hand, it considers other interests explicit or implicit in legislation and weighs them against the legitimate interests of trademark owners, in new settings. It compares these approaches by using concrete examples from EU cases and concludes that there are alternative ways of bridging the gap between overlapping and conflicting directives.

Is the *act* of displaying or arranging the display of an advertisement for identical or similar goods to that of a registered trademark that has been selected and stored by an internet service provider infringing the trademark owner's exclusive right? Is the *act* of providing an information society service in e-commerce unlawfully encumbered by a flood of trademark complaints? The answer depends on perspective. Therefore, I argue that courts should tread carefully, when interpreting specific provisions that trigger interests that are not addressed in the substantive legislation in question, where a more general consideration, in light of EU primary law, may be appropriate.

2. Factual and normative background

2.1 Internet Referencing Services and Keyword Advertising

Google is the world's largest search engine and the flagship of Google Inc., operating with a mission "to organize the world's information and make it universally accessible and useful."⁶ The Google search engines operate at www.google.com and 150 other domains in different countries and languages. In addition, Google offers many other services⁷, applications⁸, software and search features⁹. Google services are mostly free for both private and business users, and Google finances its services through selling advertising space on its sites.¹⁰ For this purpose, Google operates Google Adwords, Google AdSense and supporting tools such as Google Analytics, Website Optimizer, Insights for Search and AdPlanner.¹¹ The services that trigger questions of trademark law are the so called Sponsored links in search results and Google's Adwords program. Although Google provides a 'Trademark Complaint Procedure', under which they investigate trademark complaints regarding the sponsored links, Google does not offer a notice-and-take down service. Instead, Google encourages trademark owners to contact the individual advertiser that according to Google's AdWords and AdSense Trademark Policy is

⁴ Directive 2004/48/EC of the European Parliament and of the Council of 29 of April 2004 on the Enforcement of Intellectual Property Rights (Text with EEA relevance) OJ L 157, 30.4.2004, p. 45–86 (Enforcement Directive).

⁵ Article 11 of the Enforcement Directive, Injunctions: Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

⁶ Company overview at <http://www.google.fi/intl/en/corporate/> (last visited 15 Apr.2011).

⁷ Google Maps, Google Books, Google News Archive.

⁸ Gmail, Google Calendar and Google Docs.

⁹ Google Toolbar, Google Chrome, Personalized Search.

¹⁰ Opinion of the Advocate General in C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 13 (AG Opinion Google Adwords).

¹¹ Company overview at <http://www.google.fi/intl/en/corporate/> (last visited 15 Apr. 2011).

responsible for the keywords selected. Google does not have a complaint procedure for trademark complaints regarding natural results.¹²

2.2 Harmonizing Legislation

Article 5.1¹³ of the Trade Mark Directive entitles the trademark proprietor to prevent all third parties not having his consent from using in the course of trade:

- a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trademark is registered and
- b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

Protection under Article 5.1, although ‘absolute’ under Article 5.1(a)¹⁴, is deception-based, i.e. protection is dependent on consumers being either presumably or likely confused or misled about the commercial origin of the goods or services.¹⁵ There is constant pressure on courts to recognize so called property-based protection under Article 5.1¹⁶, which protects the communication, advertising and investment functions of the trade mark and entitles the proprietor to prevent interference with the communicative message of the trade mark.¹⁷

For the purposes of understanding the reasoning of the court, it is central that the ECJ did not approach the question from a property-based rationale giving increasing weight to repute, investments and elements of fairness. Instead, it approached the question from the types of uses the trademark owner is entitled to prohibit. Article 5.3 lists some uses that the trademark owner is entitled to prohibit:

¹² <http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6118> (last visited 15 Apr. 2011).

¹³ The issue of extended protection for renowned marks is side-stepped here, since it does not affect the liability of internet service providers. As we shall see, the court has refused to categorize the sale or offering for sale of keywords as infringing *per se* (Google Adwords, Case C-278/08, *BergSpechte*, [2010] ECR 0000, order in Case C-91/09, *eis.de*, 26 March 2010, Case C-558/08, *Portakabin*, [2010] ECR 0000). Art. 5.2 of the Trade Mark Directive provides for additional and enhanced protection for trademarks with a reputation. The court in the Google Adwords-case concluded that this provision does not apply to the question whether an internet service provider is liable, since it does not use the trade mark as a mark (para.104). The court, although recognizing that this provision would be relevant for the liability of the *buyer* of the keyword (para 103), this situation was not at issue, therefore not discussed in the case (Cases before the ECJ against the buyer (not ISP) of the keyword i.e. *BergSpechte*, *eis.de*, *Portakabin* already decided and Case C-323/09, *Interflora* and Case C-324/09, *L’Oreal v. eBay* were only the Advocate General opinion is available, will be discussed only for the benefit of thorough discussion on the issue of ISP liability)

The AG discusses this issue in his opinion in Case C-323/09, *Interflora Inc, Interflora British Unit v. Marks & Spencer plc, Flowers Direct Online Limited* delivered on 24.3.2011, concluding that protection under Article 5.1 and 5.2 are not parallel in the sense that e.g. use of an identical famous mark on identical goods or services could preclude assessment under Article 5.2 or create a situation where only Art. 5.1 a would apply (para 62). An artificial barrier should not be raised between the two by interpretation, instead detriment to the protected functions of the trade mark is central under both Article 5.1 and 5.2 (para 59) and dilution (blurring, tarnishment, free-riding) may occur under Article 5.1 (a) as well (para 62). However, assessment of dilution is always guided by Article 5.2 to prevent separate lines of interpretation emerging (para 64). A situation, where a mark could be diluted under Art. 5.1 (a), although not renowned within the meaning of Art. 5.2. is not possible.(para 62-63).

¹⁴ 10th Recital of the Trademark Directive.

¹⁵ AG opinion *Interflora*, see *supra* note 13, at 50.

¹⁶ Such protection is to some extent recognized under Art. 5.2 of the Trade Mark Directive (preventing free-riding on the coat-tails of the marks distinctiveness or reputation and blurring or tarnishment), although, not in its purest form, i.e. allowing proprietors absolute control of all uses of the trade mark absent harm to the protected functions of the trade mark.

¹⁷ Which have been partially successful (e.g. Case C-206/01, *Arsenal*, [2002] ECR I-10273, Case C-487/07, *L’Oreal v Bellure*, [2009] ECR I-05185) and partially unsuccessful (e.g. Case C-48/05, *Adam Opel*, [2007] ECR I-01017 and Case C-228/03, *Gillette*, [2005] ECR I-02337).

- a) affixing the sign to the goods or to the packaging thereof;
- b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
- c) importing or exporting the goods under the sign; or
- d) using the sign on business papers and in advertising.

This list is, however, neither exhaustive nor tailored to internet commerce.¹⁸

Article 6 of the Trademark Directive, on the other hand, provides for limitations on the trade mark owner's right¹⁹, thus entitling a third party from using, in the course of trade, (a) his own name or address; (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics or goods or services; (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters.

Furthermore, Article 7 of the Trademark Directive prevents the proprietor from exercising the right to prohibit the use of the trade mark on goods, which have been put on the market under that trade mark with the trade mark owner's consent, unless there exists legitimate reasons to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market. Settled case law²⁰ indicates that legitimate reasons do not exist, unless serious damage²¹ is caused to the legitimate interests of the trademark owner and the mere fact that a third party sells goods at a lower price, at a different venue or without expressed consent or control of the trade mark owner does not amount to a legitimate reason.²²

Under the doctrine of exhaustion to which Article 7 owes its origin, the trade mark owner is thus prevented from artificially partitioning the market by e.g. preventing importation of goods that have been placed on the market elsewhere in the EU.²³ The purpose of the exhaustion of rights rule would be frustrated, if the trademark owner would not also be prevented from exercising the right, when a third party advertises or promotes goods that have been acquired legally under the exhaustion rule.²⁴ Serious damage exists when 1) a trademark seriously damages the reputation of that mark²⁵; or 2) the reseller through its advertising indicates that there is a connection between the reseller and trademark proprietor.²⁶

¹⁸ The ECJ notes that a directive from 1989 could not possibly have envisaged modern uses of trademarks on the internet. *Arsenal* at 38; *Gillette* at 28; *Adam Opel* at 16 supra note 17 and *Google Adwords*, at 65 and 66.

¹⁹ Thus, a defense under Article 6 presupposes that a cause of action under Article 5 exists. Tritton, Davis, Edenborough, Graham, Malynicz and Roughton, *Intellectual Property in Europe*, 3rd Ed. (Sweet & Maxwell 2008) at 357.

²⁰ Case C-63/97 *BMW* [1999] ECR I-905 at 29; Joined Cases C-414/99 to C-416/99 *Zino Davidoff and Levi Strauss* [2001] ECR I-8691 at 40; Case C-244/00 *Van Doren + Q* [2003] ECR I-3051 at 33; Case C-16/03 *Peak Holding* [2004] ECR I-11313 at 34 and Case C-59/08 *Copad* [2009] ECR I-3421 at 41.

²¹ Thus, damage within the meaning of Article 5.2 does not automatically amount to serious damage within the meaning of Article 7.2. See also Tritton et al, at 377.

²² "the fact that a reseller, who habitually markets articles of the same kind but not necessarily of the same quality, uses for trade-marked goods the modes of advertising which are customary in his trade sector, even if they are not the same as those used by the trade mark owner himself or by his approved retailers, does not constitute a legitimate reason, within the meaning of Article 7(2) of the Directive, allowing the owner to oppose that advertising, unless it is established that, given the specific circumstances of the case, the use of the trade mark in the reseller's advertising seriously damages the reputation of the trade mark." Case C-337/95 *Parfums Christian Dior v Evora* ECR [1997] I-6013 at 46.

²³ The exhaustion doctrine is closely linked to the origins of now Articles 30 and 34 of the TFEU and focuses on preserving the free movement of goods; exhaustion of rights is thus an exception to the exception that Member States may protect intellectual property rights as long as protection does not constitute an arbitrary or disguised restriction of trade.

²⁴ *Parfums Christian Dior v Evora*, supra note 22.

²⁵ *Parfums Christian Dior v Evora* supra note 22, at 46, and *BMW*, supra note 20, at 49

²⁶ *BMW* at 51 and 52 and Case C-348/04 *Boehringer Ingelheim and Others* [2007] ECR I-3391 at 46.

The E-Commerce Directive defines ‘information society services’ as any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.²⁷ Article 6(b) of the E-Commerce Directive further requires that the natural or legal person on whose behalf the commercial communication is made shall be clearly identifiable. Articles 12-14 exempt information society services from liability under specific circumstances, when it engages in ‘mere conduit’ of information, or ‘caching’, i.e. the automatic, intermediate and temporary storage of information, or when ‘hosting’, i.e. stores information at the request of a recipient of the service. Article 15 prohibits member states from imposing on ISPs a general duty to monitor or actively seek facts indicating illegal activity on their sites.

2.2 The AG opinion in Google Adwords – Addressing questions of direct, indirect and contributory infringement

Three cases, where Google had been held guilty of infringement²⁸, as an accessory to infringement²⁹ and jointly-infringing with the operators of the services that had bought the offending key word³⁰, were referred to the ECJ for preliminary ruling on the issue of liability for Google. The first case brought by Louis Vuitton, concerned the keyword advertisement by a vendor of counterfeit goods triggered by the search term ‘Louis Vuitton’. The second case, involved the trademarks ‘Bourse des Vols’, ‘Bourse des Voyages’ and BDV registered to Viaticum, an information technology service catering to travel agencies. A competing service had bought keywords corresponding to the trademarks, which triggered advertisements under the heading ‘Sponsored Links’ on Google’s site. Similarly, the third case involved a matrimonial agency service that traded under the ‘Eurochallenges’ mark, which had been bought as a keyword by competitors.

The relevant services were described in the AG opinion as follows:

“On entering keywords into [the] search engine, internet users are presented with a list of natural results. These natural results are selected and ranked according to their relevance to the keywords. This is done through the automatic algorithms underlying the search engine program, which apply purely objective criteria.

Google also operates an advertisement system called ‘AdWords’, which enables ads to be displayed, alongside natural results, in response to keywords. Ads typically consist of a short commercial message and a link to the advertiser’s site; they are differentiated from natural results by being presented, under the heading [‘Sponsored links’], either at the top of the page, against a yellow background, or on the right-hand side. Google’s main competitors (Microsoft and Yahoo!) operate similar advertising systems.

Through AdWords, Google allows advertisers to select keywords so that their ads are displayed to internet users in response to the entry of those keywords in Google’s search engine. Every time an internet user subsequently clicks on the ad’s link, Google is remunerated in accordance with a price agreed beforehand (‘price per click’). There is no limit to the number of advertisers that can select a keyword, and if all the ads relating to that keyword cannot be displayed at the same time they will be ranked according to the price per click and by the number of times that internet users have previously clicked on the ad’s link.

²⁷ Article 2(a) of the E-Commerce Directive is based on Article 1(2) of Directive 98/34/EC on technical standards and regulations OJ 1998 L 204, p.37.

²⁸ C-236/08, *Google France, Google Inc. v. Louis Vuitton Malletier*.

²⁹ C-237/08, *Google France v. Viaticum Luteciel*.

³⁰ C-238/08, *Google France v. CNRRH Pierre-Alexis Thonet, Bruno Raboin, Tiger, a franchisee of Unicis*.

Google has set up an automated process for the selection of keywords and the creation of ads: advertisers type in the keywords, draft the commercial message, and input the link to their site. As part of this automated process, Google provides optional information on the number of searches on its search engine featuring the selected keywords, as well as related keywords, and the corresponding number of advertisers. Advertisers can then narrow down their selection of keywords in order to maximize the exposure of their ads.”³¹

The AG opinion addresses the issue of liability for contributing to infringement based on the division between property rules and liability rules.³² He finds the origin of the concept of contributory infringement that the trademark owners refer to in the United States and the Lanham Act.³³ Under this theory, all acts that may contribute to a trademark infringement are connected, and therefore, one instance of infringement, especially counterfeiting, taints all uses of the AdWords-system in relation to that site. Therefore, it should be within the realm of acts that the trademark owner is entitled to prevent relying on its property right. Otherwise, third parties could freely facilitate infringement and interfere with property rights without consequences.³⁴ The AG rejects this theory as foreign to trademark protection in Europe. In Europe, this issue is traditionally addressed through the laws on liability and tort.³⁵

The AG rejects also an attempt to expand protection even further, by enforcing the property right in instances where there is merely a possibility that a system may be used for infringing purposes. This would in effect mean that any use of a trademark as a keyword would be precluded under the trademark right.³⁶ The AG emphasizes that regardless of even the strongest protection, the protection is never absolute, and must be balanced against other interests such as freedom of expression and freedom of commerce.³⁷

Thus, the issue of liability of ISPs is in Europe and around the world discussed under the secondary liability – heading, presupposing tort-based accountability.³⁸ A primary conviction for direct infringement is not required³⁹, although the presence of such an underlying act of direct infringement is necessary. Particularly, in civil law countries liability is based on a general tort rule from which a duty of care can be derived.⁴⁰

³¹ AG Opinion Google Adwords, supra note 10, at 9-12. Footnote and paragraph numbering has been removed. However, due to litigation Google has changed its policy for some countries.

http://www.google.com/intl/en/tm_complaint_adwords/complaint.html (last visited 15 Apr. 2011).

³² AG Opinion Google Adwords at 48-50.

³³ Lanham Act 15 U.S.C. § 1051.

³⁴ AG Opinion Google Adwords at 47-48. On the origin of contributory infringement in US Patent Law see Lemley, “Inducing Patent Infringement”, 39 U.C. Davis L.R. (2005) 225, at 227.

³⁵ AG Opinion Google Adwords at 48-50. It should be noted, as the AG also stresses that the Supreme Court of the United States has interpreted the Lanham Act to require more than a showing of contributory infringement, and thus in effect adopted a liability regime based on tort law. AG Opinion Google Adwords at 48 footnote 19 citing *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844 (1982).

³⁶ AG Opinion Google Adwords at 49.

³⁷ AG Opinion Google Adwords at 101-103.

³⁸ AG Opinion Google Adwords at 48 and 50.

³⁹ Unlike, the strict definition of secondary liability in the United States. While, rules in the United States are patent, copyright or trademark specific they tend to be based on more general common law or civil law rules elsewhere. Dixon, Allen N. ‘Liability of users and third parties for copyright infringements on the Internet: overview of international developments’ in Alain Strowel (Ed.) *Peer-to-peer File Sharing and Secondary Liability in Copyright Law* (Edgar Elgar, 2009) at 15 and 42.

⁴⁰ Edwards at 49 and 62.

3. The ECJ's Approach to Bridging the Grey Area

3.1 Trade Mark Use

The referring courts essentially asked:

1. whether Article 5.1(a) and (b) of the Trademark Directive should be interpreted to mean that a trademark owner is entitled to prohibit a third party (Google) on the basis of a keyword identical with, or similar, to a registered trademark from *displaying, or arranging the display* of an advertisement for goods or services identical or similar to those of the registered trademark that has been *selected and stored* in connection with an *internet referencing service* without the consent of the trademark proprietor?

Since the cases at hand only involved uses for identical marks on identical goods or services, the court limited its answer to Article 5.1 (a).⁴¹ However, the court also considered the issue of ISP infringement from the point of view of Article 5.2. In order to fall within the ambit of Article 5.1(a) the use, under settled case law, must constitute; 'use in the course of trade', 'use in relation to goods or services' and a 'use liable to have an adverse effect on the functions of the trademark'.⁴² When use occurs in the context of commercial activity with a view to economic advantage and not as a private matter it amounts to use in the course of trade. According to the court, it is clear that Google, when it stores as keywords, signs which are identical to trademarks and displays ads on the basis of them to others than the trademark owner and without its consent, operates in the course of trade. However, it does not follow that Google 'uses' the trademarks, because the *referencing service* allows advertisers to use the trademarks for this purpose.⁴³

Therefore, the court only assessed, whether *advertisers* that use Google's service are using the mark 'in relation to goods or services'. The court refers to Article 5(3), which provides a non-exhaustive list of uses that the trademark owner is entitled to prohibit; therefore, these uses certainly are uses 'in relation to goods or services'. Although the court recognized that competitors intend to offer consumers an alternative, and that consumers tend to expect 'hits' including alternatives, when typing the trademark into the search engine; offering internet users alternative goods or services constitutes use in relation to goods or services within the meaning of Article 5, and is therefore a use, which the trademark owner is entitled to prohibit.⁴⁴

Nevertheless, the trademark proprietor may not prevent a use that does not adversely affect the functions of the trademark. It is clear that uses that fall within (the clear exceptions) Article 6 or 7 do not have such adverse effect. However, these provisions were not at issue in these cases.⁴⁵ The court reiterated its settled case law; the essential function of a trademark is to guarantee the identity of the origin of the marked goods or service to the consumer or end user by enabling him to distinguish the goods or services from others which have another origin.⁴⁶

Therefore, the origin function is adversely affected, when the *advertisement* does not enable a normally informed or reasonably attentive internet user, or enables them only with difficulty, to ascertain whether the goods or services *referred to by the ad* originate from the proprietor, an undertaking economically linked to it; or by contrast from a third party.⁴⁷ The simultaneous display of the trademark and advertising 'on screen' may

⁴¹ *Google Adwords* at 46.

⁴² Case C-17/06 *Céline* [2007] ECR I-7041 at 16; order in Case C-62/08 *UDV North America* [2009] ECR I-0000 at 42; *L'Oréal v Bellure* at 58 *supra* note 17 and *Google Adwords* at 49.

⁴³ *Google Adwords* at 55-56.

⁴⁴ *Google Adwords* at 72-74.

⁴⁵ *Google Adwords* at 80.

⁴⁶ *Google Adwords* at 82 citing Case C-39/97 *Canon* [1998] ECR I-5507 at 28 and Case C-120/04 *Medion* [2005] ECR I-8551 at 23.

⁴⁷ *Google Adwords* at 84 citing *Celine*, see *supra* note 42, at 27

indicate that a link between the trademark and third party exists; and notwithstanding the interests of fair trading and consumer protection, must constitute a use that the trademark owner is entitled to prohibit, when consumers erroneously perceive that the goods or services originate with the trademark owner.⁴⁸

The court then considered, whether *keyword advertising* may have adverse effect on the advertising function of the trademark, i.e. “adversely affects the proprietor’s use of a mark as a factor in sales promotion or as an instrument of commercial strategy”.⁴⁹ The trademark owners argued that the keyword system and the technological nature of Google’s search engine and Adwords service raised their costs of advertising, because they were forced to pay more for a high-ranking spot in both the natural results and the sponsored links. These arguments did not persuade the court, which found no adverse effect on the advertising function based on the existence and operation of a search engine and internet referencing service with corresponding automatic ranking of the displayed results.⁵⁰

The court found that vendors of counterfeit merchandise, i.e. imitations of trademarked goods, attempt to free ride on the power of attraction, reputation and prestige of the mark and thereby adversely affect the investment, communication and advertising functions of the mark by the selection of keywords. An adverse effect does not, however, follow from the existence of an internet referencing service, where the ISP is not using the keyword as a trademark, but only stores and arranges the display of keywords.⁵¹

3.2 Exemption from Liability

The second set of questions concerned whether the activity of Google could be considered ‘hosting’ and thus be exempted from liability under Article 14 of the E-Commerce Directive. Article 14 in relevant part reads: Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the *information stored at the request of a recipient* of the service, on condition that:

- a) the provider does not have *actual knowledge* of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or
- b) the provider, *upon obtaining such knowledge or awareness, acts expeditiously* to remove or to disable access to the information.

The Court concluded that some of Google activities may fall within the definition of ‘information society service’ within the meaning of the E-Commerce Directive, and may further constitute hosting within the meaning of Article 14, provided that Google’s role is of a mere technical, automatic and passive nature, which points to a lack of knowledge of illegal activity.⁵² Thus, the role of the ISP must be neutral.⁵³ However, neither the fact that the referencing service is subject to payment and Google sets the terms for such payment, nor that it provides general information to its clients, removes Google’s activities from the realm of the possible liability-exemption.⁵⁴ Neither, to that effect is it sufficient that the keyword is identical to a trademark.⁵⁵ The court, does however, deem relevant for the assessment of the neutrality of Google’s role, whether they play a role in the drafting of the commercial message or in the selection of keywords.⁵⁶ An active role would exclude application of the liability exemption.

⁴⁸ *Google Adwords* at 85-90.

⁴⁹ *Google Adwords* at 92.

⁵⁰ *Google Adwords* at 91-98.

⁵¹ *Google Adwords* at 100-105.

⁵² Citing 42nd recital of the E-Commerce Directive.

⁵³ *Google Adwords* at 114-115.

⁵⁴ *Google Adwords* at 116.

⁵⁵ *Google Adwords* at 117.

⁵⁶ *Google Adwords* at 118.

4. Why ask the broader question?

4.1 Does a distinction between direct and indirect acts of infringement matter?

As noted above EU trademark law does not distinguish between direct and indirect infringement. From a historical perspective this makes perfect sense, since trademark rights are only applicable in the event that the use of a sign on goods or services causes confusion between the sign and the registered trade mark, thus presupposing some conceptual link or relationship between the commercial actors in the market place. A cause of action only exists, when a third party *uses* (a direct act) an identical or confusingly similar mark *for* identical or similar goods or services.⁵⁷ Article 5(3) of the Trademark Directive also seems to list *direct and positive acts* that constitute infringement; affixing the sign to goods or packaging, offering, stocking, supplying, importing, exporting goods under the sign and using the sign on business papers and in advertising. Intent to infringe is assumed from the acts themselves.

Similarly, the act of *offering counterfeit goods for sale* on a commercial scale constitutes ‘*willful*’ trademark infringement *irrespective of any true intent* of the defendant. Again this is a natural consequence of perceiving the trademark right as a negative right; the right to effectively and efficiently enjoin certain types of conduct that are universally⁵⁸ considered harmful. Removing procedural, practical and legal hurdles to effective redress is central for the proper functioning of the contemporary trademark system. However, where the primary remedy is a preliminary or permanent injunction, the right must be properly defined.⁵⁹ Thus, while *indirect acts* such as facilitating infringement, contributing to infringement or possible duties of care for those who are in a position to stop large scale infringement, are not traditionally addressed in EU trademark law, they *challenge trademark law* in three ways:

- 1) are other than *direct acts* infringing;
- 2) are other than *intentional acts* infringing; and
- 3) are *acts or non-acts of intermediaries* nonetheless sanctionable.⁶⁰

But discussing whether acts are infringing is not possible before considering what the right entails. What are the contours of the property right in a trademark? We must ascertain not only what the property rationale underlying trademark protection gives to the owner (existence of a right), but also what it entails for the exercise of exclusive rights. Trademarks are intangibles⁶¹ that manifest themselves primarily in signs, symbols, colors and shapes or their combination.⁶² Exclusive rights in a trademark can, under EU trademark law, arise through national or EU-wide registration or under national rules that allow protection of non-registered marks. The same mark for the same goods or services can thus be registered to different entities in different territories.⁶³ Rights

⁵⁷ MacQueen, Waelde, Laurie and Brown, *Contemporary Intellectual Property Law and Policy*, 2nd Ed. (Oxford University Press 2011) at 570.

⁵⁸ Article 61 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) (TRIPS Agreement).

⁵⁹ Lemley & Weiser, “Should Property or Liability Rules Govern Information?” 85 Tex. L. Rev. (2007), 783-841 at 784.

⁶⁰ For a thorough discussion on forms and arguments on ISP liability see Edwards “The Fall and Rise of Intermediary Liability Online” in Edwards & Waelde *Law and the Internet*, 3rd Ed. (Hart Publishing 2009).

⁶¹ Compare to how the Director General of WIPO defines IP: “Intellectual property (IP) is the term that describes ideas, inventions, technologies, artworks, music and literature, that are intangible when first created, but become valuable in tangible form as products.” Idris, *Intellectual Property A Power Tool for Economic Growth*, (WIPO Publication No. 888, 2003) at 8. A trademark remains intangible throughout its life cycle and never takes a physical form (in the sense a patented product or copyrighted work) of a physical product. A trademark becomes valuable with the frequency and success it is used in connection with promoting goods or services.

⁶² “A trademark or “mark” is a distinctive name, logo or sign identifying the source of goods or services.” Idris, at p. 18.

⁶³ MacQueen et al. at 727.

are registered for certain categories of goods or services, thus the same mark can be registered to different commercial entities in different product categories and areas of business. Naturally, neither concurrent user can enjoin the other from using the mark for the goods or services for which the trademark is registered.

The less distinctive (or original) the mark (in relation to the goods or services for which it is used), the narrower the scope of protection. Vice versa the more arbitrary or inherently distinctive the mark, the stronger the protection. The established reputation of the mark coupled with low or high levels of distinctiveness generally awards relatively greater protection.⁶⁴ Thus, overtime the trademark owner can create a strong property right in a mark through use, advertising and investments that transcends the categories of goods and services for which it was registered.⁶⁵

Conversely, an owner of a registered trademark can in practice lose parts or all of its right through passivity (acquiescence) or non-use, or be unable to strengthen an inherently weak mark that although registrable, incorporates too closely e.g. the characteristics of the good or descriptive terms that must be available to others. The trademark as property is thus inherently relative to its use for the purpose of distinguishing goods or services and its scope (although presumed as registered) is dependent both on the acts of the trademark owner and the acts of others, be it competitors or other trademark owners.⁶⁶

Irrespective of ability of viewing trademarks as the property of its holder, the right to exclude is limited to uses in the course of trade and for goods or services that adversely affect the protected functions of the mark.⁶⁷ Thus, the trademark owner as a general rule does not control the *goods* bearing the trademark once they have been put on the market with its consent nor the *use of the trademark* for the promotion and advertising of said goods.⁶⁸ Importantly for our purposes, there *exists a legitimate secondary market* in trademarked goods that often competes with the trademark owner's own goods or services under the same mark; there may exist *other trademark owners with equal rights* in the trademark; and there are *legitimate uses (also in commerce)* of trademarks that are not within the trademark owners purview to prohibit.⁶⁹

Thus, there are direct acts and intentional acts that may cause confusion (infringement) that are nonetheless legitimate. Whether indirect acts may constitute infringement is naturally informed by this market legal and economic context.

4.2 Trademarks as intangible property: Is all property equal and the same?

4.2.1 Depriving the owner of property or possessions

Intellectual property, including trademarks⁷⁰ are considered personal property today.⁷¹ The EU, when explaining the policies for a better life underlying the Treaty of Lisbon states that since "the tools of intellectual property: trademarks, designs, patents and copyright, are a driving force for innovation growth and competitiveness",

⁶⁴ Case C-251/95 *SABEL v Puma* [1997] ECR I-6191 at 24 and *Canon*, supra note 46 at 16.

⁶⁵ MacQueen et al. at 570.

⁶⁶ MacQueen et al. at 570.

⁶⁷ Case C-10/89 *HAG GF (HAG II)* [1990] ECR I-3711 at 13-14 and *Canon* supra note 46 at 28.

⁶⁸ See cases cited supra at 20 and accompanying text.

⁶⁹ Waelde, "Search Engines, "Keyword Advertising and Trade Marks" in Edwards & Waelde at 269.

⁷⁰ Even the goodwill arising from a trademark or the legitimate expectations related to a trademark application can be classified as possessions that enjoy protection under the European Convention of Human Rights. *Van Marle and others v Netherlands*, 26 June 1986, Series A, vol.101, at para 41 (goodwill) and *Anheuser-Busch Inc. v. Portugal*, European Court of Human Rights, ECHR- 73049/01, Oct 2005. at para 47 (trade mark application).

⁷¹ I will sidestep the question of whether legal persons may enjoy fundamental rights (property) protection in the European Union, although it is not as straightforward an issue, as for instance in the United States, where commercial actors regularly enjoy protection of e.g. commercial speech under the First Amendment of the United States Constitution.

therefore, it is necessary to simplify the processes of their protection.⁷² The Treaty of Lisbon by reference to the Charter of Fundamental Rights protects intellectual property under the property clause; i.e. Article 17.73

Instead of making intellectual property rights fundamental rights *per se*, granted rights enjoy protection under the general protection of ownership and possessions.⁷⁴ Protection of property as a fundamental right differs from and is more complex a question than protecting the results of innovation or creativity as socially desirable results in themselves.⁷⁵ For example, fundamental rights protection of property ownership has always been subject to restrictive regulation in the general interest in Europe.⁷⁶ While European governments must prove necessity to protect a general interest, governments are given wide discretion in defining protectable interests and their necessity.⁷⁷

4.2.2 Defining property and its object

Property protection for intellectual property was not always evident. Indeed, the inability to define the object of the right in physical terms; as tangible objects instead of intangible information, has been problematic. While it is relatively easy to allow for transfer or assignment of an intangible resource between consenting parties, it is

⁷² The objective of harmonizing intellectual property laws is manifested in Art. 118 TFEU. http://europa.eu/lisbon_treaty/glance/better_life/index_en.htm (last visited 15 Apr. 2011)

⁷³ Art. 6 of the Treaty of the European Union incorporating the Charter of Fundamental Rights (2000-12-18 EN Official Journal of the European Communities C 364) into EU law. Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union - Consolidated version of the Treaty on European Union - Consolidated version of the Treaty on the Functioning of the European Union - Protocols - Annexes - Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon - Tables of equivalences Official Journal C 115, 09/05/2008 P. 0001 – 0388. For a thorough discussion on intellectual property rights and fundamental rights see Mylly, *Intellectual Property and European Economic Constitutional Law The Trouble with Private Informational Power*, (Gummerus Kirjapaino 2009) at 207

⁷⁴ Explanations relating to the Charter of Fundamental Rights, Official Journal C303Volume 50, 14 December 2007, 2007/C 303/02 at C 303/23. "Protection of intellectual property, one aspect of the right to property, is explicitly mentioned in paragraph 2 because of its growing importance and Community secondary legislation. Intellectual property covers not only literary and artistic property, but also patent and trade mark rights and associated rights. The guarantees laid down in paragraph 1 shall apply as appropriate to intellectual property." The discussion on whether copyright in itself is a human right will be sidestepped here, since trade mark rights under no circumstances can be included in that debate.

⁷⁵ The justification for protection, whether as property or as sui generis rights, flows from protection under the so called incentive theory. At least patent and copyright protection it is argued create incentives to invent and create new artistic works. Simply stated "[T]he continuum from problem -> to knowledge -> to imagination -> to innovation -> to intellectual property and finally -> to the solution in the form of products, continues to be a powerful driving force for economic development." Idris, at 17. Gollin *Driving Innovation Intellectual Property Strategies for a Dynamic World* (Cambridge University Press 2008) at 36 (incentive theory) and 52 (search cost rationale). See below for problems of applying this logic to trademarks.

⁷⁶ Article 17 of the Charter of Fundamental Rights: Right to Property: 1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest. 2. Intellectual property shall be protected.

By contrast, in the United States the power of eminent domain is limited by the language of the so called Takings Clause of the Fifth Amendment to the United States' Constitution. The Fifth Amendment to the Constitution of the United States reads: No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

⁷⁷ See e.g. *Bruncrona v. Finland* § 65, European Court of Human Rights, ECHR- 41673/98, Nov. 16, 2004 and *J.A.Pye (Oxford) Ltd. v. the United Kingdom*, at § 42, 46. See also Craig, *The Lisbon Treaty* (Oxford University Press 2010) at 221.

conceptually difficult to allow rights against the world in an object that escapes manifestation in physical terms or definition. This is because our modern understanding of property, including many legal categorizations, is built on a distinction between sharable, transferable and tangible objects and autonomous persons or subjects that may turn objects into property, but are themselves not propertizable.

Radin explains the problem inherent in finding traditional justification for intellectual property as property with a division between tangible objects and intangible information.⁷⁸ In Kant's and Hegel's⁷⁹ world that strongly distinguishes between subject and object; the property construct is an essential tool for recognizing the person (or subject) exercising its freedom and will to its fullest, thus controlling or manipulating objects. Under this view, the world is divided in two parts; on the one hand, what is in the mind or part of a person and on the other hand, what is of the pre-existing physical world. What makes intellectual property problematic is that it has as its object what is considered to be within the realm of the subject (ideas, creativity).⁸⁰ The solution for intellectual property was to view the process of externalizing internal ideas and embodying them in an object as a means of propertizing or commodifying otherwise unpropertizable elements.⁸¹

If we view trademarks through this lens we are missing an element: we have an intangible resource, but no physical embodiment of this intangible information. Then again, one could argue that trademarks are not the product of creative effort and therefore not within the personal, subjective realm to begin with. This way we could view trademarks as mere fruits of investment of time, money and (non-creative) effort and under Lockean labour theory justify affording property rights to the end result, however intangible. Thus, we have a personal possession that cannot rightfully be misappropriated by others.⁸²

4.2.3 Describing scope and limits of property

The problem of intangibility however, remains, when assessing the scope of this right. Property theory only sanctions trespass of the boundaries of the property. In addition, even physical property is not absolute; property rights may not be exercised in a fashion that creates a nuisance to others.⁸³ Due to the ambiguous and relative nature of trademark rights, trademark law, more specifically infringement analysis, decides the issue of trespass separately in each case. However, the power of *property rhetoric* easily equates each successful conviction of trespass with expanding the inherent boundaries of i.e. the scope of the property right; thus cumulatively adding *acts* that the trademark owner is entitled to prohibit.⁸⁴ Unlike a plot of land that remains fixed in size regardless of instances of trespass, the intangibility of trademarks allows them to grow by the acts of the trademark owner and others.

⁷⁸ Radin, "Information Intangibility" in Granstrand (Ed.) *Economics, Law and Intellectual Property Seeking Strategies for Research and Teaching in a Developing Field* (Kluwer Academic Publishers 2003), at 397.

⁷⁹ Hegel, *Grundlinien der Philosophie des Rechts*, 1820, translated as *Philosophy of Right* by S W Dyde, 1896, available at <http://www.marxists.org/reference/archive/hegel/works/pr/printrod.htm> (last visited 15 Apr. 2011) at § 29 "That a reality is the realisation of the free will, this is what is meant by a right. Right, therefore, is, in general, freedom as idea." also discussing Kant's Theory of Right and at § 33 Addition "When we speak of right, we mean not only civil right, which is the usual significance of the word, but also morality, ethical life and world-history. These belong to this realm, because the conception taking them in their truth, brings them all together. *Free will, in order not to remain abstract, must in the first instance give itself reality; the sensible materials of this reality are objects, i.e., external things. This first phase of freedom we shall know as property. This is the sphere of formal and abstract right, to which belong property in the more developed form of contract and also the injury of right, i.e., crime and punishment. The freedom, we have here, we name person, or, in other words, the subject who is free, and indeed free independently, and gives himself a reality in things.*" Author's emphasis.

⁸⁰ Radin at 397.

⁸¹ Radin at 398.

⁸² Gollin at 38.

⁸³ Radin at 399.

⁸⁴ When property is viewed as a value in itself trademark protection becomes the only guiding principle of market regulation. See Ullrich, "Legal Protection of Innovative Technologies: Property or Policy?" in Granstrand at 467 arguing against such a rationale.

*The more there are acts that are classified as infringements the broader in scope the property grows.*⁸⁵ This is a unique feature of trademarks that are not inherently restricted by elements of personhood that cannot be propertized (flowing from ideas and creativity). Similarly, trademarks are not limited in time. This feature makes them more like real property (land) than other forms of intellectual property that are inherently limited in time. Consequently, trade mark protection suffers less harm in practice than other intellectual property, when attempting to define an elusive and abstract right in an intangible object with property law language.

In a recently delivered opinion Advocate General Trstenjak, however, gets to the proper point: “from the legal point of view...a trade mark is an expression of the proprietor’s intellectual property right, which is ultimately considerably restricted by the recognition in law of the possibility of limitation of rights”.⁸⁶ Thus, whether or not trademarks are considered protectable property, does not solve the issue of when the property right is infringed. Viewing a right in isolation is doubly problematic in the real world of *trade mark thickets* where the legality of coexistence and concurrent registrations of (property rights in) identical or similar marks is presumed. Competing interests triggered can thus be those of other trade mark owners, other property owners or holders of other rights.

4.3 (In)completeness of EU regulation and other protected interests

European integration is a constantly evolving process, the ‘end’ of which is not fixed and the result of which lays somewhere between nation states and intergovernmental organizations without thereby constituting a federation.⁸⁷ Equally elusive is the concept of EU constitutional law described as “a moving target subject to continuous change and compris[ing] several layers of integration varying in geographical scope”. Nevertheless, the constitutional building blocks; the essential values, principles and objectives of the integration regime; its basic normative structure and hierarchy; and co-dependence and interaction with national legal institutions and orders, are visible and real.⁸⁸ Assuming the EU and its legal order is self-sustained⁸⁹ and the grey area here at issue thus *is* covered by EU rules, establishing what, if any interests other than those specifically manifested in substantive secondary legislation, are protected by the EU legal order⁹⁰, still remains a challenge. However, an attempt will be made nonetheless.

⁸⁵ Ullrich at 445-446 argues that this confusion between justification for property protection with a right to restrain competition is prevalent in intellectual property law.

⁸⁶ Opinion of Advocate General Trstenjak in Case C-482/09 *Budějovický Budvar, národní podnik v Anheuser-Busch, Inc.* delivered on 3.2.2011 at 64. Internal footnotes omitted. AG Trstenjak speaks here from a trade mark internal perspective and indicates that all limitations must be precisely defined in law, meaning the Trademark Directive. The context of the discussion relates to whether national rules can be allowed to apply in the context of interpreting Article 9 of the Trademark Directive on acquiescence, i.e. loss of rights due to passivity on the part of the holder of the senior mark.

⁸⁷ Craig at 29 and Rosas & Armati, *EU Constitutional Law An Introduction*, (Hart Publishing 2010), at 3 and 5.

⁸⁸ Rosas & Armati, at preface and 6-7 and 42.

⁸⁹ Craig at 247 and Rosas & Armati at 12-15 and 43; the principle of protection of fundamental rights, includes the principle of judicial review and the exclusive jurisdiction of the ECJ, which constitutes the foundation of EU law. Primary written (treaties with protocols) and unwritten (general principles of EU law) EU law further cements the EU as a complete system.

⁹⁰ It is assumed that Member States according to the principle of pre-emption may exercise their competence only to the extent that the EU has not, and shall nevertheless not take measures that would frustrate the objectives of EU legislation (primacy of EU law). Likewise, its institutions and courts must interpret existing national provisions in light of EU law (principle of consistent interpretation). Conversely, following the view that the EU legal order comprises of not only its institutions, but is also decentralized to Member States’ institutions, it is assumed that there is no general obligation on Member States to defer to a passive EU legislator in areas of formal EU competence and lay in waiting for a solution from above. Instead, because of the effect of the principles of subsidiarity and proportionality (Article 5 TEU) Member States *may and should* (EU has competence only to the extent that they have exercised it and shall always limit its harmonizing acts to what is necessary and proportionate to achieve its purpose) legislate when necessary and appropriate, to solve problems arising from societal development, guided of course by the principle of sincere cooperation. (Article 4 TEU). This is particularly important for our purposes, because the rights, freedoms and principles enshrined in the Charter of Fundamental Rights did not extend the competence of the EU. (Article 6 TEU). The principles mentioned above are part of the general principles of EU law and thus binding primary EU law that needs to be taken into account when interpreting provisions of EU secondary legislation or national legislation implementing them. See Craig at 146.

Article 2 TEU states that the EU “is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including rights of persons belonging to minorities”; all values that are common to the Member States. Although not necessarily encompassing the substance of specific fundamental rights, it nonetheless, constitutes a commitment to the principle of protecting the rights and freedoms of citizens a commitment that is shared with each national legal system in the EU Member States.⁹¹ In addition, the general principles of EU law that have been repeatedly confirmed by the ECJ have the status of primary law although only some (most notably the Charter of Fundamental Rights) of them have been codified into written primary law.⁹²

International agreements to which the EU is party take precedence over secondary law, namely regulations and directives. Such agreements do not necessarily have direct effect, i.e. EU secondary legislation could be reviewed for legality against specific provisions in an international agreement to which the EU is party. All WTO agreements for example have consistently been interpreted not to have direct effect in EU law.⁹³ It is only, when the EU has specifically intended to implement a provision of an international agreement in secondary legislation that it can be reviewed for conformity in light of the specific obligation under international law.⁹⁴ In any event the ECJ has exclusive jurisdiction to make such assessment.⁹⁵ Thus, neither the TRIPS Agreement⁹⁶, nor its provisions on trademark protection⁹⁷ can under EU law be interpreted to fix the level of trademark protection to a level from which the EU or Member States may not derogate.⁹⁸ This is not to say that provisions of international agreements that do not constitute part of the EU legal order do not or cannot have effect on the interpretation of EU secondary legislation.⁹⁹

Instead, the grey area between the provisions of various directives is guided by the general principles of EU law as well as the treaties, namely the TEU and the TFEU with protocols, i.e. primary EU law.¹⁰⁰ Primacy of EU law in this regard works both in relation to interpreting secondary EU legislation and in relation to placing an obligation on Member States to interpret and apply national law, in particular the provisions introduced to implement directives, in conformity with EU law.¹⁰¹ In fact, the ECJ held in the *Promusicae*- case that national courts (and national regulators when transposing the directives) when confronted with conflicting provisions of directives are required to balance the fundamental rights at stake and choose the interpretation of EU legislation

⁹¹ Rosas & Armati at 42-43 and 47.

⁹² Rosas & Armati at 45.

⁹³ C-93/02 P *Biret International v Council* [2003] ECR I-10497 at 52, and Case C-377/02 *Van Parys* [2005] ECR I-1465 at 39.

⁹⁴ Case C-351/04 *Ikea Wholesale Ltd v Commissioners of Customs & Excise*, [2007] ECR I-7723 at 30 citing *Biret* and *Van Parys*.

⁹⁵ Case C-149/96 *Portugal v Council* [1999] ECR I-8395, at 49; *Biret* at 53; and *Van Parys*, at 40 and the case-law cited

⁹⁶ Case C-238/06 P, *Develey Holding v OHIM* [2007] ECR I-9375.

⁹⁷ Case C-491/01, *The Queen and Secretary of State for Health, ex parte: British American Tobacco (Investments) Ltd and Imperial Tobacco Ltd, supported by Japan Tobacco Inc. and JT International SA*, [2002] ECR I-11453 at 154-156 rejecting the argument that Article 20 of the TRIPS Agreement stating that “the use of a trademark shall not be unjustifiably encumbered by special requirements” would have direct effect that would preclude the EU from legislating to prohibit the display of trademarks on tobacco products.

⁹⁸ In one case the ECJ has recognized that a specific provision of the TRIPS Agreement, i.e. Article 50a on the obligation of providing effective provisional measures for enforcement of intellectual property rights, although not having direct effect in EU law (at 44), may have direct effect in Member States, if the EU has not legislated in the area (at 45-49). Joined Cases C-300/98 and C-392/98, *Parfums Christian Dior SA v Tuk Consultancy BV (C-300/98) and Assco Gerüste GmbH, Rob van Dijk, trading as Assco Holland Steigers Plettaac Nederland, v Wilhelm Layher GmbH & Co. KG, Layher BV (C-392/98)*. This point is now mute regarding that provision, since the EU has legislated in the area in the form of the Enforcement Directive.

⁹⁹ Rosas & Armati at 62.

¹⁰⁰ Rosas & Armati at 45-46.

¹⁰¹ Craig at 147. Giving effect to both the principle of consistent interpretation and the duty of sincere cooperation. Rosas & Armati at 59.

that strikes a fair balance between competing interests.”¹⁰² According to the ECJ this obligation entails the following:

“As to these directives, their provisions are relatively general, since they have to be applied to a large number of different situations which may arise in any of the Member States. They therefore logically include rules which leave the Member States with the necessary discretion to define transposition measures which may be adapted to the various situations possible... That being so, the Member States must... take care to rely on an interpretation of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further... the authorities and the courts must not only interpret national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with other general principles of Community law, such as the principle of proportionality.”¹⁰³

Similarly, the basic economic freedoms including free movement of goods and services are part of EU primary law.¹⁰⁴ Protecting intellectual property is nonetheless allowed, however, right holders have been restricted in the exercise of (national) rights, when the exercise unduly restricts free movement of goods (Art. 36 TFEU). However, the economic freedoms do not necessarily trump fundamental rights nor vice versa, instead a balance should be struck between competing interests.¹⁰⁵ Only absolute fundamental rights and freedoms, such as the right to life or prohibition of torture and inhumane or degrading treatment are superior to other general principles of EU law.¹⁰⁶

In addition to the more traditional economic freedoms fundamental rights are of growing importance in interpreting secondary legislation of the EU.¹⁰⁷ Competing interests triggered in our case of considering the legality of keyword advertising are manifested in Articles 11 (freedom of expression and information), 16 (freedom to conduct business), 17 (right to property), 36 (access to services of general economic interest) and 38 (consumer protection) of the Charter of Fundamental Rights. Likewise, the principles of legality and proportionality of criminal offences and penalties enshrined in Article 49 of the Charter of Fundamental Rights are important when assessing extension of liability for trade in counterfeit goods.

¹⁰² C-275/06, *Promusicae* [2008] ECR I-271 at 68-69. For a detailed discussion on the Law of Balancing and analysis of the *Promusicae*-case see Groussot, “Rock the KaZaa: Another Clash of Fundamental Rights” CMLR 45: 1745-1766, 2008, commenting on the *Promusicae* –case at 1757-1762.

¹⁰³ Author’s emphasis. Internal references omitted. *Promusicae* at 67-68.

¹⁰⁴ As developed in ECJ case law on the interpretation now Article 34 TFEU starting with Case C-8/74 *Dassonville* [1974] ECR 837 and Case C-120/78 *Rewe-Zentral* [1979] ECR 649 (*Cassis de Dijon*) and clarified in Joined cases C-267/91 and C-268/91 *Keck and Mithouard* [1993] ECR I-6097. These freedoms are not absolute, providing the principle of proportionality and general principles of EU law is respected and restrictions are based on explicit TEU and TFEU treaty provisions, case law or secondary legislation.

¹⁰⁵ In the Case C-112/00 *Schmidberger* [2003] ECR I-5659 the Austrian government had given permission for a demonstration on Brenner motorway, the sole transit route between Germany and Italy, which in effect would close it for two days and thus hinder the free movement of goods for that time. (*Schmidberger* also alleged Austrian legislation restricting lorries in excess of 7.5 tons on weekends as well as Bank holidays constituted a restriction on the free movement of goods.) The court noted that the prohibition on imposing obstacles on the free movement of goods in Art. 30 and 34) was applicable and the failure of the Austrian government to ban the demonstration was in breach of Art. 30 and 34, unless the failure could be objectively justified (at 64). Since both the EU and the Member States were required to respect fundamental rights (at 71-74) (here freedom of assembly and expression) their protection could amount to a justification for restriction of the free movement of goods. The measures, if proportionate in light of the legitimate aim pursued in protecting fundamental rights, would be justified (at 80). See also Craig at 221-222.

¹⁰⁶ *Schmidberger* supra note 105 at 80.

¹⁰⁷ Art. 2 and 6(2) TEU and the Charter of Fundamental Rights. The Lisbon Treaty places an obligation on the EU to accede to the European Convention on Human Rights. Craig at 201.

It is important to note that these principles are *not* informative of the *result of balancing*, but should, be taken into account in the *process of balancing*. Similarly, they may act as procedural counterweights in the interpretation of substantive legislation that considers only one interest group, e.g. the trademark directive or when specific provisions of one directive are pitted against general provisions in another directive.¹⁰⁸ Existing interpretations of secondary legislation could also benefit from a contextual approach, especially when seemingly conflicting provisions are at stake.

For example, the ECJ has repeatedly referred to the essential function of a trade mark.

“Trademark rights constitute an essential element in the system of undistorted competition which the Treaty is intended to establish and maintain. In such a system, undertakings must be able to attract and retain customers by the quality of their goods and services, which is made possible only by distinctive signs allowing them to be identified.”¹⁰⁹

In that context, the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfill its essential role in the system of undistorted competition...it must offer a guarantee that all the goods or services bearing it have been manufactured and supplied under the control of a single undertaking which is responsible for their quality.¹¹⁰

Protection is restricted to instances where another’s use of a sign or trademark is liable to affect the essential function or other protected functions of trademarks.¹¹¹

We can contrast two cases that approach the question differently, to illustrate the point. Recently the ECJ has allowed protection of the investment and advertising function of trademarks, by way of restricting the right to use another’s mark, when it causes serious detriment to the advertising function of the trade mark.¹¹² In the *L’Oréal*-case unfair advantage was taken of a mark with a reputation, where the third party *sought* [intent], *through the use* [act] of a similar sign, to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark’s image.”¹¹³ In practice, the ECJ thus gave the trademark owner control over uses that have not traditionally been considered within the realm of the trademark owner’s right, e.g. reference to the market leader’s trademarks or products in comparative advertising.¹¹⁴ *Intent to harm was inferred from the act of using a similar mark.*

¹⁰⁸ As in the *Promusicae* and *Google Adwords* cases.

¹⁰⁹ Case 3/78 *Centrafarm* [1978] ECR 1823, paragraphs 11 and 12; Case C-379/97 *Upjohn* [1999] ECR I-6927, paragraph 21, and *Arsenal* supra note 17 at 48, C-297/00 *LTJ Diffusion SA v. Sadas Vertbaudet SA* ECR I-2799 [2003] para. 44.

¹¹⁰ Case C-102/77 *Hoffman La-Roche* [1978] ECR 1139 at 7, Case C-299/99 *Philips v Remington* [2002] ECR I-5475 at 30, *Arsenal* at 47-48, *Gillette* at 26 supra note 17 and *Copad* at 22 supra note 22.

¹¹¹ *Canon* at 28 and *Medion* at 23 supra note 46, and *Google Adwords*, at 88.

¹¹² *L’oréal v. Bellure* at 49-50 supra note 17.

¹¹³ Author’s emphasis. To the court, the use itself indicated that the defendant ‘sought’ to harm.

¹¹⁴ “The proprietor of a registered trade mark is entitled to prevent the use by a third party, in a comparative advertisement ... of a sign identical with that mark in relation to goods or services which are identical with those for which that mark was registered, *even where such use is not capable of jeopardising the essential function of the mark*, which is to indicate the origin of the goods or services, provided that such use affects or is liable to affect one of the other functions of the mark. Author’s emphasis. *L’oréal v. Bellure* at 65 supra note 17.

In contrast, the ECJ in the *Gillette* -case considered use of another's trademark in comparative advertising, and reached the opposite conclusion.¹¹⁵ The fact that the third party uses the trade mark to convey its message does not "mean that it is presenting that product as being of the same quality as, or having equivalent properties

to, those of the product bearing the trade mark.¹¹⁶ Instead, the national court should assess the use by assessing the overall presentation of the product marketed, in particular 1) the circumstances in which the trade mark is displayed; 2) the circumstances in which distinction is made between the trade mark and the defendant's mark and; 3) the effort made by the defendant to ensure that consumers can distinguish its products from the trade mark owner's products.¹¹⁷ Assessing the use from the perspective of whether there is harm to the trademark owner's interests or whether the acts of the defendant display respect for the legitimate interests of the trademark owner, thus reflect how consideration of competing interests can be used in the process of deciding border-line cases of substantive law.

As mentioned above¹¹⁸, the ECJ in the *Google*-case, found no harm to the investment or advertising functions of a trademark inflicted by the operation of a system of keyword advertising. Such a finding would have deemed all (acts) uses of trademarks as keywords, including uses by retailers, consumers and parallel importers, infringing. The court nevertheless, held that several acts, i.e. uses of marks in keyword advertising, although not considered infringing in that case, were within the purview of the provisions of the Trademark Directive, and hence could be uses that the trademark owner would be entitled to prohibit. Thus, the court indicated that Google's role in assisting sellers in drafting the commercial message or selecting appropriate keywords (although automated) could amount to acts that would be infringing. While, the court went out of its way to find a safe harbor for Google in Article 14 of the E-Commerce Directive for hosting it clearly indicated that Google's direct acts in relation to the operation of the keyword advertising system may not be considered neutral that is, of mere automatic, technical and passive nature. Neutrality for the Google court indicated not only passivity on the part of Google, but also lack of knowledge and control over infringing activity.¹¹⁹

AG Jääskinen in his opinion in the *L'Oréal v. eBay*-case¹²⁰ criticized the ECJ's reading of Article 14 of the E-Commerce Directive. Unlike the court the AG does not view Articles 12-14 of the E-Commerce Directive as exceptions to liability for ISPs that should be interpreted narrowly, but merely as restatements of existing law without any such intended effect.¹²¹ First, he criticizes importing a neutrality requirement into Article 14 based on recital 42 that discusses such a requirement only in relation to Articles 12 and 13 of the E-Commerce Directive, i.e. concerning mere conduit and caching.¹²² A duty to expeditiously remove or disable access to the information concerned, is only triggered "upon obtaining actual knowledge or awareness of illegal activities".¹²³

This duty must be limited by the freedom of expression of others.¹²⁴ While both commercial communications and proprietary interests of trademark holders are protected by the Charter of Fundamental Rights a balance between them must be struck. Indeed, *the property right is limited* "in the context of electronic commerce, [since it] may not take forms that would infringe the rights of innocent users of an electronic marketplace or leave the alleged infringer without due possibilities of opposition and defence". *The property right is protected* by specific means such as e.g. a notice-and-take down procedure, which the ISP is required to cooperate with in order to enjoy freedom from liability.¹²⁵

¹¹⁵ *Gillette* supra note 17.

¹¹⁶ *Gillette* supra note 17 at 47.

¹¹⁷ *Gillette* supra note 17 at 46.

¹¹⁸ See references in Sec. 3.

¹¹⁹ *Google Adwords*, at 113 and 114

¹²⁰ Opinion of the AG in Case C-324/09, *L'Oréal v. eBay*, 9 December 2010, at 139-151.

¹²¹ AG Opinion *L'Oréal v. eBay* at 136. Instead he views them as restatements or clarifications of existing law.

¹²² AG Opinion *L'Oréal v. eBay* at 140-142 and 146.

¹²³ Recital 46 of the E-Commerce Directive. AG Opinion *L'Oréal v. eBay* at 142.

¹²⁴ Recital 46 of the E-Commerce Directive

¹²⁵ AG Opinion *L'Oréal v. eBay* at 157-158.

Thus, *actual knowledge* or awareness arises when served with a specific court order or notice that cannot be based on mere suspicion or assumption regarding illegality.¹²⁶ Similarly, it would not seem possible under the general prohibition in Article 15 of the E-Commerce Directive, to accept construed knowledge, i.e. that the ISP ‘should have known’ or had ‘good reasons to suspect’ illegality.¹²⁷ The AG noted that ‘actual knowledge’ of future infringements could arise, when the same user was allowed to continue infringing the same mark, however, he noted that a more general knowledge of any future infringements of the same mark would not amount to the requisite ‘actual knowledge’.¹²⁸

Again, comparing the approaches of the ECJ in the *Google*-case with that of the AG in the *L’Oreal v. eBay*-case shows how reading the rulings of the ECJ in trademark cases in either a pure trademark light or the broader light of balancing competing protected interests, highlights alternative ways of bridging the (grey area) gap between the Trademark Directive and the E-Commerce Directive.

5 Conclusion

When a new asset comes into being, does it come into being pre-owned by someone holding a conceptually neighboring asset¹²⁹, because it has value to that holder and affects it by mere proximity or should a new balance be struck taking account of the context of the market, the interests of all commercial actors as well as technological and societal developments, and the detriment or benefit to consumers? This article argues that the process of decision-making should be informed by all market interests (legally channeled through EU primary law) also when interpreting provisions of secondary legislation that considers only a narrowed set of interests. Assessing provisions for proportionality in relation to their legitimate aim would allow for an alternative approach in bridging gaps between overlapping or conflicting directives and interpreting grey areas in EU law.

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¹²⁶ AG Opinion *L’Oreal v. eBay* at 160 and 162.

¹²⁷ AG Opinion *L’Oreal v. eBay* at 163.

¹²⁸ AG Opinion *L’Oreal v. eBay* at 162, 167 and 168.

¹²⁹ Radin asks and discusses this question by analogy to real property “Even in a state of nature with unowned land available, a physical land-owner would not be deemed the owner of an adjoining physical property just because it is valuable to her.” Radin at 401.